

BEFORE THE  
CALIFORNIA BOARD OF ACCOUNTANCY  
DEPARTMENT OF CONSUMER AFFAIRS  
STATE OF CALIFORNIA

In the Matter of the Accusation Against:

**JENNIFER CLANCY NIPP**  
2935 E. Clarendon Avenue  
Phoenix, AZ 85016

Certified Public Accountant License No.  
CPA 78106

Case No. AC-2010-13


Respondent.

**DECISION AND ORDER**

The attached Stipulated Surrender of License and Order is hereby adopted by the California Board of Accountancy, Department of Consumer Affairs, as its Decision in this matter.

This Decision shall become effective on June 27, 2011.

It is so ORDERED May 27, 2011.

  
\_\_\_\_\_  
FOR THE CALIFORNIA BOARD OF ACCOUNTANCY  
DEPARTMENT OF CONSUMER AFFAIRS

1 KAMALA D. HARRIS  
Attorney General of California  
2 ARTHUR D. TAGGART  
Supervising Deputy Attorney General  
3 BRIAN S. TURNER  
Deputy Attorney General  
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*Attorneys for Complainant*

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9 **BEFORE THE**  
**CALIFORNIA BOARD OF ACCOUNTANCY**  
10 **DEPARTMENT OF CONSUMER AFFAIRS**  
11 **STATE OF CALIFORNIA**  
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13  
14 In the Matter of the Accusation Against:

Case No. AC-2010-13

15 **JENNIFER CLANCY NIPP**  
16 2935 E. Clarendon Avenue  
Phoenix, AZ 85016

**STIPULATED SURRENDER OF  
LICENSE AND ORDER**

17 Certified Public Accountant License No.  
18 CPA 78106

19  
20 Respondent.

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22 **IT IS STIPULATED AND AGREED** by and between the parties in this proceeding that  
23 the following matters are true:

24 **PARTIES**

25 1. Patti Bowers (Complainant) is the Executive Officer of the California Board of  
26 Accountancy (Board). She brought this action solely in her official capacity and is represented in  
27 this matter by Kamala D. Harris, Attorney General of the State of California, by Brian S. Turner,  
28 Deputy Attorney General.

1           2.     Jennifer Clancy Nipp (Respondent) is represented in this proceeding by attorney  
2 Randy Fons, whose address is

3                               Morrison and Foerster  
4                               5200 Republic Plaza  
5                               370 Seventeenth Street  
6                               Denver, CO 80202

7           3.     On or about October 7, 1999, the California Board of Accountancy issued Certified  
8 Public Accountant License No. CPA 78106 to Jennifer Clancy Nipp (Respondent). The license  
9 was in full force and effect at all times relevant to the charges brought in Accusation No. AC-  
10 2010-13. The license expired on September 30, 2010 and has not been renewed.

11                               **JURISDICTION**

12           4.     Accusation No. AC-2010-13 was filed before the Board of Accountancy (Board)  
13 Department of Consumer Affairs. The Accusation and all other statutorily required documents  
14 were properly served on Respondent on June 17, 2010. Respondent timely filed her Notice of  
15 Defense contesting the Accusation. On May 3, 2011 a First Amended Accusation was filed and  
16 served on Respondent's counsel of record on May 4, 2011. A copy of the First Amended  
17 Accusation No. AC-2010-13 is attached as Exhibit A and incorporated herein by reference.

18                               **ADVISEMENT AND WAIVERS**

19           5.     Respondent has carefully read, fully discussed with counsel, and understands the  
20 charges and allegations in the First Amended Accusation No. AC-2010-13. Respondent also has  
21 carefully read, fully discussed with counsel, and understands the effects of this Stipulated  
22 Surrender of License and Order.

23           6.     Respondent is fully aware of her legal rights in this matter, including the right to a  
24 hearing on the charges and allegations in the First Amended Accusation; the right to be  
25 represented by counsel, at her own expense; the right to confront and cross-examine the witnesses  
26 against her; the right to present evidence and to testify on her own behalf; the right to the issuance  
27 of subpoenas to compel the attendance of witnesses and the production of documents; the right to  
28 reconsideration and court review of an adverse decision; and all other rights accorded by the  
California Administrative Procedure Act and other applicable laws.

1           7.     Respondent voluntarily, knowingly, and intelligently waives and gives up each and  
2 every right set forth above.

3                                   CULPABILITY

4           8.     Respondent admits that Complainant possesses sufficient admissible evidence to  
5 establish a prima facie case to sustain the charges and allegations in the First Amended  
6 Accusation No. AC-2010-13, agrees that cause exists for discipline and hereby surrenders her  
7 Certified Public Accountant License No. CPA 78106 for the Board's formal acceptance.

8           9.     Respondent understands that by signing this stipulation she enables the Board to issue  
9 an order accepting the surrender of her Certified Public Accountant License without further  
10 process.

11                                  CONTINGENCY

12           10.    This stipulation shall be subject to approval by the Board. Respondent understands  
13 and agrees that counsel for Complainant and the staff of the Board may communicate directly  
14 with the Board regarding this stipulation and surrender, without notice to or participation by  
15 Respondent or her counsel. By signing the stipulation, Respondent understands and agrees that  
16 she may not withdraw her agreement or seek to rescind the stipulation prior to the time the Board  
17 considers and acts upon it. If the Board fails to adopt this stipulation as its Decision and Order,  
18 the Stipulated Surrender and Disciplinary Order shall be of no force or effect, except for this  
19 paragraph, it shall be inadmissible in any legal action between the parties, and the Board shall not  
20 be disqualified from further action by having considered this matter.

21           11.    The parties understand and agree that facsimile copies of this Stipulated Surrender of  
22 License and Order, including facsimile signatures thereto, shall have the same force and effect as  
23 the originals.

24           12.    This Stipulated Surrender of License and Order is intended by the parties to be an  
25 integrated writing representing the complete, final, and exclusive embodiment of their agreement.  
26 It supersedes any and all prior or contemporaneous agreements, understandings, discussions,  
27 negotiations, and commitments (written or oral). This Stipulated Surrender of License and Order  
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1 may not be altered, amended, modified, supplemented, or otherwise changed except by a writing  
2 executed by an authorized representative of each of the parties.

3 13. In consideration of the foregoing admissions and stipulations, the parties agree that  
4 the Board may, without further notice or formal proceeding, issue and enter the following Order:

5 **ORDER**

6 **IT IS ORDERED** that Certified Public Accountant License No. CPA 78106, issued to  
7 Respondent Jennifer Clancy Nipp, is surrendered and accepted by the California Board of  
8 Accountancy.

9 14. The surrender of Respondent's Certified Public Accountant License and the  
10 acceptance of the surrendered license by the Board shall constitute the imposition of discipline  
11 against Respondent. This stipulation constitutes a record of the discipline and shall become a part  
12 of Respondent's license history with the Board.

13 15. Respondent shall lose all rights and privileges as an certified public accountant in  
14 California as of the effective date of the Board's Decision and Order.

15 16. Respondent shall cause to be delivered to the Board both her wall license certificate  
16 and, if one was issued, pocket license on or before the effective date of the Decision and Order.

17 17. If Respondent ever files an application for licensure or a petition for reinstatement in  
18 the State of California, the Board shall treat it as a petition for reinstatement. Respondent must  
19 comply with all the laws, regulations and procedures for reinstatement of a revoked license in  
20 effect at the time the petition is filed, and all of the charges and allegations contained in the First  
21 Amended Accusation No. AC-2010-13 shall be deemed proved by Complainant when the Board  
22 determines whether to grant or deny the petition for reinstatement.

23 18. Respondent shall pay the Board its costs of investigation and enforcement in the  
24 amount of \$4,086.60.00 prior to issuance of a new or reinstated license.

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1 ACCEPTANCE

2 I have carefully read the above Stipulated Surrender of License and Order and have fully  
3 discussed it with my attorney, Randy Fons. I understand the stipulation and the effect it will have  
4 on my Certified Public Accountant License. I enter into this Stipulated Surrender of License and  
5 Order voluntarily, knowingly, and intelligently, and agree to be bound by the Decision and Order  
6 of the California Board of Accountancy.

7 DATED: 5/19/11

8   
JENNIFER CLANCY NIPP

9 I have read and fully discussed with Respondent Jennifer Clancy Nipp the terms and  
10 conditions and other matters contained in this Stipulated Surrender of License and Order. I  
11 approve its form and content.

12 DATED: 5/10/11

13   
RANDY FONS

14 Attorney for Respondent

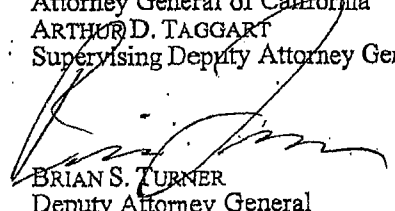
15 ENDORSEMENT

16 The foregoing Stipulated Surrender of License and Order is hereby respectfully submitted  
17 for consideration by the California Board of Accountancy of the Department of Consumer  
18 Affairs.

19 Dated: May 20 2010

20 Respectfully submitted,

21 Kamala D. Harris  
22 Attorney General of California  
23 ARTHUR D. TAGGART  
24 Supervising Deputy Attorney General

25   
26 BRIAN S. TURNER  
27 Deputy Attorney General  
28 Attorneys for Complainant

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Stipulation.rtf

**Exhibit A**

**First Amended Accusation No. AC-2010-13**

1 EDMUND G. BROWN JR.  
Attorney General of California  
2 ARTHUR D. TAGGART  
Supervising Deputy Attorney General  
3 BRIAN S. TURNER  
Deputy Attorney General  
4 State Bar No. 108991  
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Facsimile: (916) 327-8643  
7 E-mail: [Brian.Turner@doj.ca.gov](mailto:Brian.Turner@doj.ca.gov)  
*Attorneys for Complainant*

8  
9 **BEFORE THE**  
**CALIFORNIA BOARD OF ACCOUNTANCY**  
**DEPARTMENT OF CONSUMER AFFAIRS**  
10 **STATE OF CALIFORNIA**

11  
12 In the Matter of the Accusation Against:

Case No. AC-2010-13

13 **JENNIFER CLANCY NIPP**  
2935 E. Clarendon Avenue  
14 Phoenix, AZ 85016

**FIRST AMENDED**

15 Certified Public Accountant License No. CPA 78106

**A C C U S A T I O N**

16 Respondent.

17  
18 Complainant alleges:

19 **PARTIES**

- 20 1. Patti Bowers (Complainant) brings this Accusation solely in her official capacity as  
21 the Executive Officer of the California Board of Accountancy, Department of Consumer Affairs.  
22 2. On or about October 7, 1999, the California Board of Accountancy issued Certified  
23 Public Accountant License Number CPA 78106 to Jennifer Clancy Nipp (Respondent). The  
24 Certified Public Accountant License was in full force and effect at all times relevant to the  
25 charges brought herein and will expire on September 30, 2010, unless renewed.

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“(a) The executive officer of the board may request the administrative law judge, as part of the proposed decision in a disciplinary proceeding, to direct any holder of a permit or certificate found to have committed a violation or violations of this chapter to pay to the board all reasonable costs of investigation and prosecution of the case, including, but not limited to, attorneys’ fees. The board shall not recover costs incurred at the administrative hearing.”

(Unprofessional Conduct-Discipline by PCAOB)

9. On or about March 31, 2009, PCAOB issued a disciplinary order barring Respondent from association with a registered public accounting firm based on violations of the PCAOB accounting and auditing standards as more particularly set forth in Exhibit 1 to this Accusation and by this reference incorporated herein as though set forth at length. Respondent consented to the disciplinary order.

(Unprofessional Conduct-Out of State Discipline)

11. On or about May 27, 2008 Respondent consented to a Decision and Order for Discipline for violation of accounting laws of the State of Arizona. The charges, findings and consent are set forth in Exhibit 2 and incorporated herein as though set forth at length. As a result of entering Exhibit 1 the State of Arizona disciplined Respondent's Arizona accounting license or certificate.

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1 **THIRD CAUSE FOR DISCIPLINE**

2 (Failure to Report Investigation)

3 12. Respondent's license is subject to disciplinary action under section 5063(b)(5) of  
4 the code in that Respondent failed to report the initiation of an investigation and subsequent  
5 discipline for accounting misconduct and violations of PCAOB auditing standards. The  
6 circumstances are as follows:

7 13. Prior to March 31, 2009 Respondent was informed of, had knowledge of or was  
8 aware of the initiation of an investigation by PCAOB into accounting misconduct and violations  
9 of PCAOB auditing standards. Respondent failed to notify the Board of these facts.

10 **PRAYER**

11 **WHEREFORE**, Complainant requests that a hearing be held on the matters herein alleged,  
12 and that following the hearing, the California Board of Accountancy issue a decision:

13 1. Revoking or suspending or otherwise imposing discipline upon Certified Public  
14 Accountant License Number CPA 78106, issued to Jennifer Clancy Nipp;

15 2. Ordering Jennifer Clancy Nipp to pay the California Board of Accountancy the  
16 reasonable costs of the investigation and enforcement of this case, pursuant to Business and  
17 Professions Code section 5107;

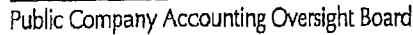
18 3. Taking such other and further action as deemed necessary and proper.

19  
20  
21 DATED: May 3, 2011

Patti Bowers  
PATTI BOWERS  
Executive Officer  
California Board of Accountancy  
Department of Consumer Affairs  
State of California  
Complainant

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## **EXHIBIT 1**



## ORDER INSTITUTING DISCIPLINARY PROCEEDINGS, MAKING FINDINGS, AND IMPOSING SANCTIONS

*In the Matter of Clancy and Co., P.L.L.C.,  
Jennifer C. Nipp, CPA, and Judith J. Clancy,  
CPA,*

*Respondents.*

PCAOB Release No. 105-2009-001

March 31, 2009

By this Order, the Public Company Accounting Oversight Board ("Board" or "PCAOB") is revoking the registration of Clancy and Co., P.L.L.C. ("the "Firm" or "Clancy and Co."), barring one of its partners, Jennifer C. Nipp, CPA ("Nipp"), and suspending, for a period of one year from the date of this Order, the other partner, Judith J. Clancy ("Clancy") (collectively, "Respondents"), from being associated persons of a registered public accounting firm.<sup>1/</sup> The Board is imposing these sanctions on the basis of its findings concerning Respondents' violations of PCAOB rules and auditing standards in auditing the financial statements of an issuer client from 2003 to 2005.

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The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, fair and independent audit reports, that disciplinary proceedings be, and hereby are, instituted pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002 ("Act") and PCAOB Rule 5200(a)(1) against Clancy and Co., Nipp, and Clancy.

<sup>1/</sup> Clancy and Co. may reapply for registration after one year (1) year from the date of this Order. Nipp may file a petition for Board consent to associate with a registered public accounting firm after two (2) years from the date of this Order.

II.

In anticipation of institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondents have each submitted an Offer of Settlement ("Offers") that the Board has determined to accept. Solely for purposes of these proceedings and any other proceedings brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings herein, except as to the Board's jurisdiction over Respondents and the subject matter of these proceedings, which is admitted, Respondents consent to entry of this Order Instituting Disciplinary Proceedings, Making Findings and Imposing Sanctions ("Order") as set forth below.

III.

On the basis of Respondents' Offers and information obtained by the Board in this matter, the Board finds<sup>2/</sup> that:

A. Respondents

1. Clancy and Co., P.L.L.C. is a public accounting firm located in Phoenix, Arizona. At all relevant times, Clancy and Co. was licensed under the laws of the state of Arizona to engage in the practice of public accounting (Firm Registration No. 01098-L). Clancy and Co.'s Arizona firm registration was placed on probation by the Arizona State Board of Accountancy ("Arizona Board") for a period of two years, commencing on May 27, 2008.<sup>3/</sup> Clancy and Co. is registered with the Board pursuant to Section 102 of the Act and PCAOB rules.

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<sup>2/</sup> The findings herein are made pursuant to the Respondents' Offers and are not binding on any other person or entity in this or any other proceeding. The sanctions that the Board is imposing in this Order may be imposed only if a respondent's conduct meets one of the conditions set out in Section 105(c)(5) of the Act, 15 U.S.C. § 7215(c)(5). The Board finds that Respondents' conduct described in this Order meets the condition set out in Section 105(c)(5), which provides that such sanctions may be imposed in the event of (A) intentional or knowing conduct, including reckless conduct, that results in violation of the applicable statutory, regulatory, or professional standard; or (B) repeated instances of negligent conduct, each resulting in a violation of the applicable statutory, regulatory, or professional standard.

<sup>3/</sup> See *In the Matter of Certified Public Accountant Certificate No. 10871-R Issued to: Jennifer C. Nipp, and Certified Public Accounting Firm Registration No. 1098-L Issued to: Clancy and Co., P.L.L.C.*, ASBA File Nos. 2007.075, 2007.110 (May 27, 2008 Decision & Order (By Consent)). The Arizona Board disciplined the Firm and Nipp for failures to comply with PCAOB and other professional standards in the audits

2. Jennifer C. Nipp, 42, of Draper, Utah, is a certified public accountant who is licensed under the laws of the State of Arizona (License No. 10871-R), the Commonwealth of Kentucky (License No. 5942), and the State of California (License No. 78106). Nipp's Arizona license was placed on probation by the Arizona State Board of Accountancy for a period of two years, commencing on May 27, 2008.<sup>4/</sup> At all relevant times, she was a partner in the Firm and an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).

3. Judith J. Clancy, 66, of Phoenix, Arizona, is a certified public accountant who is licensed under the laws of the State of Arizona (License No. 8221-R) and the Commonwealth of Kentucky (License No. 5398). At all relevant times, she was the Managing Member of the Firm and an associated person of a registered public accounting firm as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).

**B. Summary**

4. This matter involves violations of PCAOB auditing standards by Respondents in the audits of the 2003, 2004, and 2005 financial statements of PacificNet, Inc. ("PNET"). Nipp and the Firm violated PCAOB auditing standards by failing to adopt appropriate measures to assure coordination with another accounting firm and using work of the other accounting firm without following up on indications that the work may have been inappropriate for use by the Firm. Nipp and the Firm also violated PCAOB auditing standards by failing to: a) perform sufficient audit procedures relating to PNET's accounting for certain business acquisitions in 2003, 2004, and 2005; b) identify and appropriately address departures from Generally Accepted Accounting Principles ("GAAP") concerning PNET's 2004 statement of cash flows; and c) perform sufficient audit procedures relating to the adequacy of PNET's disclosure concerning a related party receivable in its 2005 financial statements. Respondents violated PCAOB standards by failing to take appropriate steps in a timely manner after learning of possible errors in PNET's accounting for stock options in 2003, 2004, and 2005. Finally, Clancy failed to exercise due care in her role as concurring partner reviewer in the audits of the 2003, 2004, and 2005 PNET financial statements.

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of two issuers, which, according to the Decision & Order, constitute violations of Arizona Board rules.

<sup>4/</sup> See id.

C. Respondents Violated PCAOB Auditing Standards in Connection with the Audits of PNET's 2003, 2004, and 2005 Financial Statements

5. In connection with the preparation or issuance of an audit report, PCAOB rules require that a registered public accounting firm and its associated persons comply with the Board's auditing and related professional practice standards.<sup>5/</sup> An auditor may express an unqualified opinion on an issuer's financial statements only when the auditor has formed such an opinion on the basis of an audit performed in accordance with PCAOB standards.<sup>6/</sup> Among other things, those standards require that an auditor exercise due professional care, exercise professional skepticism, and obtain sufficient competent evidential matter to afford a reasonable basis for an opinion regarding the financial statements.<sup>7/</sup> As detailed below, Respondents failed to meet these standards in connection with the audits of the financial statements of PNET for 2003, 2004, and 2005.

6. PNET is a Delaware corporation based in Beijing, China. Its common stock is registered with the United States Securities and Exchange Commission ("Commission") under Section 12(g) of the Securities Exchange Act of 1934 ("Exchange Act") and is quoted on the OTC Bulletin Board. PNET's public filings disclose that it is a holding company with primary interests in the telecommunications industry. At all relevant times, PNET was an issuer as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii).

7. The Firm was engaged as PNET's auditor from March 2002 to January 2007. During that time, Respondents audited PNET's 2003, 2004, and 2005 financial statements. Respondents issued audit reports dated March 30, 2004 (included in PNET's Form 10-KSB filed April 2, 2004), April 15, 2005 (included in PNET's Form 10-KSB filed April 19, 2005), April 25, 2006 (included in PNET's Form 10-KSB filed April 28, 2006), and October 25, 2006 (a dual-dated reissue of the April 25, 2006 report, included in PNET's Form 10-KSB/A filed November 3, 2006<sup>8/</sup>), each of which were filed with the Commission. Each report stated that the audit was conducted in accordance

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<sup>5/</sup> See PCAOB Rules 3100, 3200T.

<sup>6/</sup> See AU § 508.07, *Reports on Audited Financial Statements*.

<sup>7/</sup> See AU § 150.02, *Generally Accepted Auditing Standards*; AU § 230, *Due Professional Care in the Performance of Work*; and AU § 326, *Evidential Matter*.

<sup>8/</sup> The report is dated October 25, 2006 as to the matters discussed in Note 1 of the financial statements, concerning the correction of an error in accounting for business combinations, and is otherwise dated April 25, 2006.

with PCAOB standards, except for the March 30, 2004 report, which stated that the audit was conducted in accordance with generally accepted auditing standards ("GAAS").<sup>9/</sup> In each of those audit reports, the Firm expressed an unqualified audit opinion and stated that, in the Firm's opinion, PNET's financial statements presented fairly, in all material respects, PNET's financial position, results of operations, and cash flows in conformity with U.S. GAAP. For each of the audits, Nipp was the engagement partner who had final responsibility for the audit, and Clancy served as the concurring review partner.

8. In auditing PNET's 2003, 2004, and 2005 financial statements, Nipp and the Firm performed various audit procedures but also used a significant amount of audit work that was performed by a Hong Kong accounting firm that had been separately engaged by PNET. Nipp and the Firm determined that the nature and extent of their work was sufficient to enable the Firm to serve as principal auditor with respect to financial statements that PNET filed with the Commission,<sup>10/</sup> and the Firm assumed responsibility for the Hong Kong firm's work that it used.<sup>11/</sup>

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<sup>9/</sup> Respondents were required to conduct the audit of the 2003 financial statements in accordance with the PCAOB's interim auditing standards pursuant to PCAOB Rule 3200T, which took effect on April 25, 2003. However, at the time Respondents performed the audit, the PCAOB's interim auditing standards were the same as GAAS as it existed on April 16, 2003, and, until PCAOB Auditing Standard No. 1 took effect on May 24, 2004, it remained appropriate for auditors to refer to GAAS in their audit reports. Accordingly, although the reference to GAAS in the March 30, 2004 audit report was appropriate at the time, the standards pursuant to which the audit was required to be performed were PCAOB standards, and that is how they are referred to in this Order.

<sup>10/</sup> AU § 543, *Part of Audit Performed by Other Independent Auditors*, describes factors relevant to an auditor's consideration of whether the nature and extent of the auditor's own participation in audit work is sufficient to enable the auditor to serve as the principal auditor and to report as such on the financial statements. See AU § 543.02.

<sup>11/</sup> Under AU § 543, a principal auditor who uses another auditor's work chooses between assuming responsibility for that work (in which case the principal auditor's report makes no reference to the other auditor's work or report) and not assuming such responsibility (in which case the principal auditor's report should make reference to the other auditor and clearly indicate the division of responsibility between the two auditors). See AU § 543.03.

9. As described below, in some instances, Nipp and the Firm failed to follow up on indications that the Hong Kong firm's work used by the Firm may not have been performed in accordance with PCAOB standards and may not have provided sufficient competent evidential matter relating to whether the financial statements comported with U.S. GAAP. In other instances, Nipp and the Firm failed to perform sufficient procedures in their own audit work.

Nipp's and the Firm's Failure to Adequately Coordinate with Another Auditor Whose Work They Used

10. PCAOB standards require a principal auditor to perform certain procedures when using the work of another auditor and assuming responsibility for that work.<sup>12/</sup> Those procedures include adopting appropriate measures to assure the coordination of the auditor's activities with those of the other auditor in order to achieve a proper review of matters affecting the consolidating or combining of accounts in the financial statements.<sup>13/</sup>

11. In using the Hong Kong firm's work in the audits of PNET's 2003, 2004, and 2005 financial statements, Nipp and the Firm failed to adopt appropriate measures to assure coordination with the Hong Kong firm. Nipp and the Firm never obtained representations from the Hong Kong firm that the Hong Kong firm's work that the Firm used on the 2003, 2004 and 2005 audits had been performed in accordance with PCAOB standards or had been done with the objective of assessing whether the financial statements were presented fairly in conformity with U.S. GAAP. With respect to the 2003 audit, Nipp and the Firm actually understood that the Hong Kong firm's work that the Firm used on the audit was performed in accordance with standards other than PCAOB standards and that the purpose of the Hong Kong firm's audit work was to assess the financial statements' compliance with accounting principles other than U.S. GAAP.

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<sup>12/</sup> AU § 543.10 (principal auditor should "make inquiries concerning the professional reputation and independence of the other auditor" and "adopt appropriate measures to assure the coordination of his activities with those of the other auditor in order to achieve a proper review of matters affecting the consolidating or combining of accounts in the financial statements," including, considering procedures such as ascertaining through communication with the other auditor that the other auditor is familiar with relevant accounting principles, auditing standards, and financial reporting requirements and will conduct his or her audit and will report in accordance therewith); AU § 543.12 (describing certain information that the principal auditor must obtain, review, and retain).

<sup>13/</sup> AU § 543.10.

Deficiencies in the Audit Procedures Performed by Nipp and the Firm

12. Nipp's and the Firm's PNET audits were deficient in other respects as well. In some cases, Nipp and the Firm failed to audit significant aspects of the financial statements even in cases where they understood that the Hong Kong firm had not done so. In other cases, Nipp and the Firm failed to perform procedures adequately or failed to identify and properly address GAAP departures in PNET's financial statements. In particular:

- (a) In the audits of the 2003, 2004 and 2005 financial statements, Nipp and the Firm understood that PNET had relied upon an accounting standard other than U.S. GAAP to prepare its financial statements and then converted those financial statements into U.S. GAAP financial statements. Nipp and the Firm failed to evaluate whether PNET's purported conversions were appropriate.
- (b) GAAP requires acquiring entities to "allocate the cost of an acquired entity to the assets acquired and liabilities assumed based on their estimated fair values at date of acquisition."<sup>14/</sup> Nipp understood during the audits of the 2003, 2004, and 2005 financial statements that PNET was recording the assets acquired and the liabilities assumed based on the acquirees' book value, which PNET claimed reasonably approximated fair value. Nipp and the Firm, however, failed to test management's assertion that the acquirees' book value reasonably approximated the estimated fair value.<sup>15/</sup>
- (c) In assessing the appropriateness of PNET's 2004 statement of cash flows, Nipp and the Firm failed to appropriately address an error concerning PNET's reported reconciliation of net earnings to net cash used in operating activities. Specifically, the minority interest amount included on the reconciliation did not agree to the minority interest amount reported on PNET's 2004 Income

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<sup>14/</sup> Statement of Financial Accounting Standard ("SFAS") No. 141, *Business Combinations*, ¶ 35. (This cite to SFAS No. 141 refers to the version in effect at the time of Respondents' PNET audits and not to the revised version issued in 2007.)

<sup>15/</sup> During 2003, PNET wrote off \$1,186,000 of its acquired assets within weeks of their acquisition. Nipp and the Firm knew of these write-offs during the 2003 audit, but performed no audit procedures on them. In an S-1/A filed on November 13, 2006, PNET restated its 2003 Summary Consolidated Financial Data to reduce its 2003 losses before income tax, minority interest and discontinued operations by \$1,186,000. The restatement showed that PNET had overstated its 2003 selling, general and administrative expenses by 75 percent and its 2003 net loss by 46 percent.

Statement. Although Nipp and the Firm identified the inconsistency, they did not address it other than to ask management about it and accept management's explanation.<sup>16/</sup>

- (d) Assets reported on PNET's 2005 financial statements included a \$1,215,000 loan receivable due from a related party. PNET's 2005 financial statements disclosed the amount of, counterparty to, purpose of, and collateral for the receivable, but did not disclose that, at December 31, 2005, approximately \$1 million of the receivable was past due. Nipp and the Firm understood that the receivable was past due but failed to assess the adequacy of the disclosure in light of the omission of that information.<sup>17/</sup>

Inadequate Response to Subsequent Discovery of Possible Errors in PNET's Accounting for Stock Options

13. PNET's financial statements for 2003, 2004, and 2005, as originally reported, did not recognize certain expenses associated with the issuance of stock options to PNET executives and directors. In mid-December 2006, Respondents became aware of information suggesting that PNET's stock option expense accounting may have been inappropriate. Respondents recognized almost immediately that the information existed at the time of the Firm's audit reports and that had they been aware of it at the dates of those reports it might have affected the reports. As Respondents

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<sup>16/</sup> An auditor's opinion that an issuer's financial statements are presented in conformity with GAAP must be based on an audit performed in accordance with PCAOB standards. PCAOB standards require an auditor to perform audit procedures sufficient to evaluate the issuer's adherence to GAAP. This Order's description of audit failures relating to GAAP departures in an issuer's financial statements necessarily reflects the Board's judgment concerning the proper application of GAAP. Any such description of GAAP departures, however, should not be understood as an indication that the Commission has considered or made any determination concerning the issuer's compliance with GAAP. In 2006, however, PNET restated its 2004 financial statements to revise its Statement of Cash Flows. See PNET's Form 10-KSB, filed on April 28, 2006.

<sup>17/</sup> AU § 431.02, *Adequacy of Disclosure in Financial Statements*, requires an auditor to consider the adequacy of an issuer's financial statement disclosures and to take certain steps if the financial statements omit information required by GAAP. In its financial statements for the year ended December 31, 2006, PNET recorded a \$993,000 provision relating to the receivable. See PNET's Form 10-K, filed on May 11, 2007, p. F-33.

realized, PCAOB standards required them to take action as soon as practicable to determine whether the information was reliable and, if so, whether steps were necessary to prevent future reliance on the Firm's audit reports.<sup>18/</sup> Respondents, resigned from the engagement in mid-January 2007 without having taken any such action and then waited until February 2007 before contacting PNET to confirm the reliability of the information<sup>19/</sup> and quantifying the potential error.<sup>20/</sup>

Clancy's Concurring Reviews

14. An auditor who undertakes to perform a concurring review has "a duty to perform that task professionally,"<sup>21/</sup> which includes a duty to perform the task with due care and professional skepticism.<sup>22/</sup> In her role as the Firm's concurring partner reviewer for the audits of PNET's 2003, 2004, and 2005 financial statements, Clancy understood that PNET relied upon an accounting standard other than U.S. GAAP to prepare its financial statements. Clancy understood that PNET had converted those financial statements into U.S. GAAP financial statements and that neither the Hong Kong firm nor Nipp and the rest of the Firm's engagement team had performed audit procedures to evaluate whether PNET's purported conversion was appropriate. Clancy, understanding that no such audit procedures were performed, still concurred with the Firm's audit opinions for the 2003, 2004, and 2005 financial statements. In so doing, she failed to exercise due professional care in her concurring partner reviews.

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<sup>18/</sup> See AU § 561.04, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report*.

<sup>19/</sup> AU § 561 requires the auditor to undertake to determine whether the information is reliable even when the auditor has resigned or been discharged. See AU § 9561, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report: Auditing Interpretations of Section 561*.

<sup>20/</sup> After Respondents notified PNET's management and audit committee of the possible errors in its accounting for stock options, PNET restated its compensation expense for 2003, 2004, and 2005. See PNET's Form 10-K, filed on May 11, 2007.

<sup>21/</sup> See *Potts v. Securities and Exchange Comm'n*, 151 F.3d 810, 813 (8th Cir. 1998).

<sup>22/</sup> See AU § 230.

IV.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in Respondents' Offers. Accordingly, it is hereby ORDERED that:

- A. Pursuant to Section 105(c)(4)(A) of the Act and PCAOB Rule 5300(a)(1), the registration of Clancy and Co., P.L.L.C. is revoked;
- B. After one (1) year from the date of this Order, Clancy and Co., P.L.L.C. may reapply for registration by filing an application pursuant to PCAOB Rule 2101;
- C. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Jennifer C. Nipp is barred from being an associated person of a registered public accounting firm, as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i);
- D. After two (2) years from the date of this Order, Nipp may file a petition, pursuant to PCAOB Rule 5302(b), for Board consent to associate with a registered public accounting firm, and any such petition shall be filed by submitting it to Office of the Secretary of the PCAOB; and
- E. Pursuant to Section 105(c)(4)(B) of the Act and PCAOB Rule 5300(a)(2), Judith J. Clancy is suspended for one (1) year from the date of this Order from being an associated person of a registered public accounting firm, as that term is defined in Section 2(a)(9) of the Act and PCAOB Rule 1001(p)(i).

ISSUED BY THE BOARD.

/s/ J. Gordon Seymour

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J. Gordon Seymour  
Secretary

March 31, 2009

## **EXHIBIT 2**

## BEFORE THE ARIZONA STATE BOARD OF ACCOUNTANCY

In the Matter of Certified Public Accountant  
Certificate No. 10871-R  
Issued to: JENNIFER C. NIPP,

ASBA File Nos. 2007.075  
2007.110

and

Certified Public Accounting Firm  
Registration No. 1098-L  
Issued to: CLANCY and CO., P.L.L.C.

## DECISION &amp; ORDER (By Consent)

Respondents

I. INTRODUCTION AND JURISDICTION

1. The Arizona State Board of Accountancy ("Board") is the state agency authorized pursuant to Arizona Revised Statutes ("A.R.S.") §§ 32-701 et seq., to regulate the profession of certified public accountants in the State of Arizona.

2. Clancy and Co., P.L.L.C. ("CC") is the holder of Firm Registration No. 01098-L issued by the Board. Jennifer C. Nipp ("Nipp") is the holder of Certified Public Accountant Certificate No. 10871-R issued by the Board. This certificate enables Respondent to practice as a certified public accountant in the State of Arizona. CC and Nipp are referred to collectively as Respondents.

3. The Board has personal and subject matter jurisdiction over Respondents pursuant to A.R.S. §§ 32-701, et seq. and A.A.C. R4-1-101, et seq.

4. The Board has not conducted a hearing nor made a determination on the merits contained herein. Instead, the Board and Respondents have agreed to a full and final settlement of this matter, as reflected in this Decision and Order by Consent ("Consent Order").

5. Pursuant to Arizona's Public Records Law, A.R.S. § 39-101, et seq., upon execution by the parties, the Consent Order shall constitute a public record (as defined in A.R.S. § 41-1350) that may be disseminated as a formal action of the Board.

6. This Consent Order is based upon the following Findings of Fact and Conclusions

1 of Law:

2 **II. FINDINGS OF FACT**

3 1. The Respondents' performed audits conducted for clients considered to be publicly  
4 traded and therefore subject to the reporting requirements of the Securities and Exchange  
5 Commission (SEC) and the oversight of the Public Company Accounting Oversight Board  
6 (PCAOB), including Asia Global Holdings Corp. and Allergy Research Group, Inc.

7 Asia Global Holdings Corp.

8 2. BonusAmerica Worldwide Corp (Bonus) as of December 31, 2005 became Asia  
9 Global Holdings Corp on June 9, 2006.

10 3. Bonus became a publicly held corporation through a reverse merger with  
11 Longbow Mining Corp on March 1, 2004 and its stock is quoted on the Over-The-Counter  
12 Bulletin Board. Bonus operations consisted of limited activity in the United States, operations in  
13 Hong Kong (performed through a wholly owned subsidiary, Sino Trade-Intelligent Development  
14 Corp., Limited ("Sino")) and operations in the People's Republic of China (performed through a  
15 wholly owned subsidiary, Wah Mau Corporate Planning Development (Shenzhen) Company  
16 Limited ("Wah Mau")):

17 4. Bonus become a client of CC's due to a relationship that CC has with a Hong  
18 Kong certified public accounting firm HLB Hodgson Impey Cheng (HLB).

19 5. Nipp signed off as the audit-in-charge and the engagement partner.

20 6. HLB audited Sino and Wah Mau at the direction of CC and CC accepted the  
21 responsibility as the principal auditors for Bonus. The work papers contain a memorandum  
22 written by Nipp on CC's ability to serve as the principal auditors under the guidance set in AU §  
23 543, a one page confirmation letter from HLB to CC regarding HLB's qualifications and a five  
24 page special purpose audit report. AU § 543 states "Nothing in this section should be construed  
25 to require or imply an auditor, in deciding whether he may properly serve as a principal auditor  
26

1 without himself auditing particular subsidiaries, divisions, branches, components, or investments  
2 of his client, should make that decision on any basis other than his judgment regarding the  
3 professional considerations as discussed in paragraphs .02 and .10". CC's decision to assume the  
4 role of principal auditors and to assume responsibility for the work done by HLB appears to be in  
5 accordance with GAAS. The PCAOB issued an Amendment to Interim Auditing Standards -  
6 Part of Audit Performed by Other Independent Auditors on June 9, 2004. This document  
7 requires that "...the principal auditor must obtain, and review and retain the following information  
8 from the other auditor: a. An engagement completion document consistent with paragraphs 12  
9 and 13 of PCAOB Auditing Standard No. 3...". There was not an engagement completion  
10 document from HLB, in CC's files.

11 7. HLB's letter of confirmation to CC states that the audited financial statements  
12 "have been prepared in accordance with accounting principles generally accepted in Hong  
13 Kong..." and "We have conducted our audit in accordance with Hong Kong Standards on  
14 Auditing issued by the Hong Kong Institute of Certified Public Accountants." CC work papers  
15 contained limited explanation or discussion of the similarities or the dissimilarities between Hong  
16 Kong GAAP and GAAS versus US GAAP and GAAS, PCAOB Auditing Standards and SEC  
17 Rules and Regulations. PCAOB Auditing Standards No. 3, paragraph 5 states "Because the audit  
18 documentation is the written record that provides the support for the representations in the  
19 auditor's report, it should: a. Demonstrate that the engagement complied with the standards of the  
20 PCAOB, b. Support the basis for the auditor's conclusions concerning every relevant financial  
21 assertion, and c. Demonstrate that the underlying accounting records agreed or reconciled with  
22 the financial statements." PCAOB Auditing Standards No. 3, paragraph 6 states, "The auditor  
23 must document the procedures performed, evidence obtained, and conclusions reached with  
24 respect to relevant financial statements assertions. Audit documentation must clearly  
25 demonstrate that the work was in fact performed...Audit documentation must contain sufficient  
26

1 information to enable an experienced auditor, having no previous connection with the  
2 engagement: a. To understand the nature, timing, extent, and results of the procedures performed,  
3 evidence obtained, and conclusions reached...[footnotes omitted]". CC's work papers should  
4 have contained additional documentation providing the basis that Bonus' financial statements  
5 were prepared in accordance with US GAAP and that the audit was performed in accordance  
6 with standards established by the PCAOB.

7       8. Bonus had a sizeable loss for the year ended December 31, 2005, was illiquid as  
8 restricted cash, prepayments, amount due from related party and intangible assets comprised  
9 \$1,627,955 or approximately 70% of Bonus total assets. Further, the US account audited by CC  
10 indicated that Bonus owed the CEO approximately \$55,000 in unpaid salary as of December 31,  
11 2005 and that Bonus' payroll taxes from the first through third quarters of 2005 were unpaid at  
12 December 31, 2005. AU § 341, paragraph .01 and .02, state "Ordinarily, information that  
13 significantly contradicts the going concern assumption relates to the entity's inability to continue  
14 to meet its obligations as they become due without the substantial disposition of assets outside  
15 the ordinary course of business, restructuring of debt, externally forced revisions of its  
16 operations, or similar actions...The auditor has a responsibility to evaluate whether there is  
17 substantial doubt about the entity's ability to continue as a going concern for a reasonable period  
18 of time, not to exceed one year beyond the date of the financial statements being audited...". CC  
19 performed no analysis of Bonus' ability to continue as a going concern. According to CC, after  
20 reviewing the Board's investigation report, they conducted a secondary analysis which results did  
21 not yield any different results from the original conclusion reached.

22       9. Sino's financial statements indicate that it had two amortizing intangibles, web site  
23 development costs and database. The web site development costs had an unamortized value of  
24 approximately \$307,000 at December 31, 2005 with Bonus' total assets being approximately  
25 \$2,361,000. EITF 00-2 contains specific guidance for accounting for web site development costs  
26

1 in accordance with GAAP. EITF 00-2 requires that planning stage activities be expensed, that  
2 application and infrastructure development activities and graphics and content development  
3 stages be accounted for in accordance with SOP 98-1 and that operating stage activities be  
4 accounted for in accordance with SOP 98-1. CC's work papers show no analysis of the  
5 components of Sino's website development intangible costs to test Sino's accounting for these  
6 costs in accordance with GAAP. According to CC, after reviewing the Board's investigation  
7 report, they conducted a secondary analysis which results did not yield any different results from  
8 the original conclusion reached.

9 10. Seven accounts payable confirmations totaling 99.69% of Sino's approximate  
10 \$243,000 in accounts payable, were prepared but never responded to. CC's work papers indicate  
11 that only 2% of these payable were paid prior to the auditors' completion of work.

12 11. Bonus' financial statements include \$461,460 of amounts due from related parties.  
13 Footnote 7 to the financial statements discloses that this amount consists of \$389,892 due from  
14 Stanford International Holding and \$71,568 due from Bonus' CEO. The footnote also discloses  
15 that these amounts are unsecured, interest free and re-payable on demand. FASB Statement No.  
16 5 requires that accrual for loss contingencies are made if the loss is probable and can be  
17 reasonably estimated. This standard requires disclosure of loss contingencies if they are probable  
18 but cannot be reasonably estimated. Appendix A to FASB Statement No. 5 specifically identifies  
19 losses from uncollectible receivables as a contingency as defined by the standard. AU § 342,  
20 paragraph .07 states "The auditor's objective when evaluating accounting estimates is to obtain  
21 sufficient competent evidential matter to provide reasonable assurance that-

22 a. All accounting estimates that could be material to the financial statements have been  
23 developed.

24 b. Those accounting estimates are reasonable in the circumstances  
25  
26

1 c. Those accounting estimates are presented in conformity with applicable accounting  
2 principles<sup>2</sup> and are properly disclosed<sup>3</sup>. [footnotes omitted]" .

3 CC's work papers include no analysis of collectibility related to these amounts due from  
4 related parties. According to CC, after reviewing the Board's investigation report, they conducted  
5 a secondary analysis which results did not yield any different results from the original conclusion  
6 reached.

7 12. As a result of a comment letter received from the SEC, Bonus revised its financial  
8 statements in certain areas and reissued the same in a Form 10-KSB/A dated October 6, 2006.  
9 The changes resulted in revisions to the Consolidated Statement of Changes in Shareholders'  
10 Equity, Footnote 1 and Footnote 2 and the addition of Footnote 11. CC's opinion filed with the  
11 Form 10-KSB/A was dual dated as "April 11, 2006, except for Note 11 which is dated as of  
12 September 11, 2006." AU § 530 provides guidance for the dating of the independent auditors  
13 report. AU § 530 paragraphs .03 through .08 provide guidance for dealing with "events that  
14 occur after completion of field work but before the issuance of report" and "reissuance of the  
15 independent auditor's report." AU § 561, paragraph .04 to .06 provides guidance when an auditor  
16 learns of information which relates to financial statements previously reported on. This guidance  
17 states (paragraph 6a) "If the effect on the financial statements or auditor's report of the  
18 subsequently discovered information can promptly be determined, disclosure should consist of  
19 issuing, as soon as practicable, revised financial statements and auditor's report." CC should have  
20 either updated its entire audit opinion or dual dated its opinion with respect to all of the changes  
21 made to the financial statements and not just the change noted in Footnote 11. CC believes  
22 although the items were changed, they were not significant.

23  
24  
25 ///

1           Allergy Research Group, Inc.

2           13.     Allergy Research Group, Inc. ("ARG") produces hypoallergenic nutritional  
3 supplements for sale to physicians and healthcare practitioners. ARG is located in Alameda,  
4 California and its stock is quoted on the Over-The-Counter Bulletin Board.

5           14.     Nipp was the engagement partner.

6           15     The accounts receivable confirmation summary listed a receivable from Emerson  
7 Ecologies in the amount of \$102,512.72. The amount confirmed by Emerson Ecologies was  
8 \$14,527.49 and the confirmation control notes that the difference of \$87,332.07 was tested  
9 through subsequent cash receipts. CC's subsequent cash receipts testing schedule seems to  
10 indicate that \$67,875.47 was paid with checks dated prior to December 31, 2005 thereby leaving  
11 approximately \$19,500 documented as tested through subsequent cash collections yet  
12 unaccounted for.

13          16.     The price testing of inventories indicated that \$1,492,111.54 of ARG's total  
14 inventories of \$2,573,161.98 was price tested for a 57.99% coverage. The detail testing schedule  
15 contains the statement "Conclusion: Based upon the procedures performed, no significant  
16 misstatements were found." Some of the invoices that CC based its price testing on were missing  
17 invoice dates and invoice numbers and some of the products tested have associated vendor  
18 invoices that are more than one year old. There is no investigation or disposition of the  
19 possibility that a product purchased over a year ago is obsolete or otherwise impaired in value.

20          17.     PCAOB Auditing Standards No. 3, paragraph 6 states, "The auditor must  
21 document the procedures performed, evidence obtained, and conclusions reached with respect to  
22 relevant financial statements assertions. Audit documentation must clearly demonstrate that the  
23 work was in fact performed...Audit documentation must contain sufficient information to enable  
24 an experienced auditor, having no previous connection with the engagement: a. To understand  
25 the nature, timing, extent, and results of the procedures performed, evidence obtained, and  
26

1 conclusions reached...[footnotes omitted]" CC should have done additional procedures for cash  
2 receipts testing and inventory price testing to allow them to reach the conclusions stated in their  
3 work.

### 4 III. CONCLUSIONS OF LAW

5 1. The Board has personal and subject matter jurisdiction over Respondents pursuant  
6 to A.R.S. § 32-701 et seq., and A.A.C. R4-1-101 et seq. The Board has the authority to  
7 discipline Respondents pursuant to A.R.S. § 32-741.

8 2. After notice and opportunity for hearing, the Board may revoke or suspend  
9 Respondents certificate and firm registration to practice public accounting and take additional  
10 disciplinary action concerning Respondents actions as described herein pursuant to ARS § 32-741  
11 and as defined in A.R.S. 32-701(6). This Consent Order is in lieu of an administrative hearing.

12 3. If this matter proceeded to hearing, the State would introduce evidence it contends  
13 would show Respondent's conduct as described herein constitutes a failure to comply with the  
14 applicable Board regulations set forth in A.R.S. § 32-701 et seq. and A.A.C. R4-1-101 et seq.

15 4. The Board's Rules, specifically Arizona Administrative Code (A.A.C.) R4-1-455 -  
16 455.04, incorporate the Standards and Principles of Professional Conduct with which all  
17 registrants must comply. Pursuant to A.A.C. R4-1-102(A), Respondent is deemed to have  
18 knowledge of the Board's rules.

19 5. Respondents' failure to obtain an engagement completion document from HLB, as  
20 described in paragraph 6 of the Findings of Fact, constitutes a violation of PCAOB Auditing  
21 Standard No. 3, incorporated in the Board's rules at A.A.C. R4-1-455.01(H).

22 6. Respondents' failure to perform an analysis of Bonus ability to continue as a going  
23 concern, as described in paragraph 8 of the Findings of Fact, constitutes a violation of AU § 341,  
24 incorporate in the Board's rules at A.A.C. R4-1-455.01(H) and A.A.C. R4-1-455.04.

25 7. Respondents' failure to comply with SOP 98-1 for the components of Sino's web  
26 site development intangible costs, as described in paragraph 9 of the Findings of Fact, constitutes

1 a violation of GAAP, incorporated in the Board's rules at A.A.C. R4-1-455.01(H) and A.A.C. R4-  
2 1-455.04.

3 8. Respondents' failure to complete an analysis on the collectibility of amounts due  
4 from related parties, as described in paragraph 11 of the Findings of Fact, constitutes a violation  
5 of FASB No. 5 and AU § 342, incorporated in the Board's rules at A.A.C. R4-1-455.01(H) and  
6 A.A.C. R4-1-455.04.

7 9. Respondents' failure to dual date the restated financial statements or update the  
8 entire opinion, as described in paragraph 12 of the Findings of Fact, constitutes a violation of AU  
9 § 530 and AU § 561, incorporated in the Board's rules at A.A.C. R4-1-455.01(H) and A.A.C. R4-  
10 1-455.04.

11 10. Respondents' failure to adequately document its testing of the accounts receivables  
12 and price testing of inventories, as described in paragraphs 15 and 16 of the Findings of Fact,  
13 constitute a violation of PCAOB Auditing Standard No. 3, incorporated in the Board's rules at  
14 A.A. C. R4-1-455.01(H).

15 11. Respondents' practice and conduct, as described in paragraphs 3 through 17 of the  
16 Findings of Fact, constitute a failure to comply with applicable AICPA standards in ET section  
17 202, incorporated in the Board's rules A.A.C. R4-1-455.01(H) and A.A.C. R4-1-455.04:

18 A member who performs auditing, review, compilation, management consulting,  
19 tax or other professional services shall comply with standards promulgated by  
20 bodies designated by Council.

21 12. Respondents' practice and conduct, as described in paragraphs 3 through 17, and  
22 paragraphs 3 through 11 of the Conclusions of Law, constitute discreditable acts pursuant to the  
23 applicable standards regarding professional conduct established by A.A.C. R4-1-455.03(A):

24 A. "Discreditable acts: Certified public accountants or public accountants shall not  
25 commit any act that reflects adversely on their fitness of engage in the practice of  
26 public accounting, including:

1. Violation of any of the provisions of R4-1-455 through R4-1-455.04;
3. Violation of any of the provisions of A.R.S. Title 32, Chapter 6, Article 3, or any rule promulgated under these statutes.

13. The conduct and circumstances described in paragraphs 3 through 17 of the Findings of Fact, and the resulting violations of professional standards, statutes and rules described in paragraphs 3 through 13 of the Conclusions of Law, are grounds for revocation, suspension, probation and other disciplinary action against Certificate No.10871-R, and Firm registration No. 1098-L, pursuant to A.R.S. § 32-741(A) and as defined in A.R.S. § 32-701(6).

#### **IV. ORDER**

Based upon Respondent's consent, as well as the aforementioned Findings of Fact and Conclusions of Law, IT IS HEREBY ORDERED THAT:

#### **PROBATION**

1. Starting from the effective date of this Order, Respondent's certificate and firm registration shall be placed on probation for a period of two (2) years.

#### **Continuing Professional Education**

2. During the period of probation beginning on of the effective date of this Order, Respondent (Nipp) shall take and successfully complete twenty-four (24) hours of continuing professional education ("CPE") covering the areas of audit documentation, GAAS, GAAP and internal controls for Sarbanes-Oxley Act of 2002 (SOX) compliance. The twenty-four (24) hours of CPE must be pre-approved by the Board, completed in a classroom setting, when possible, and are **in addition to** Respondent's statutorily required continuing professional education hours for the next registration renewal period.

3. Respondent shall submit any requests for approval of CPE to the Board at least thirty (30) days before the CPE course is offered to provide notice to the Board and sufficient time to review the substance of the course. All requests for pre-approval shall include a subject outline, agenda or table of contents of a manual of syllabus, copy of a program or brochure which

1 details the subject matter or a copy of the descriptive paragraph from the catalog of each  
2 proposed course.

3 4. Any course(s) that are not submitted for pre-approval shall not count toward  
4 meeting the requirements of this Order. Additionally, any course submitted for pre-approval,  
5 which is not submitted to the Board at least thirty (30) days before the CPE course is offered,  
6 shall not count toward meeting the requirements of this Order. In the event that a pre-approved  
7 course(s) exceeds the number of hours required by this Order, any excess hours will not qualify  
8 to meet the statutorily required continuing professional education hours for the next registration  
9 renewal period.

10 5. In the event Respondent is unable to find the required CPE in a classroom setting,  
11 she may petition the Board, in writing, to waive the classroom requirement. Any request for a  
12 waiver shall include a detailed description of the attempts made to meet the classroom  
13 requirement. Waiver of the classroom requirement is solely at the discretion of the Board and is  
14 not subject to administrative or judicial review.

15 6. Within ten (10) days of completing the CPE course(s), Respondent shall submit a  
16 certificate of completion issued by the course provider. If Respondent is unable to provide a  
17 certificate of completion, she agrees to submit an affidavit to the Board within the same ten day  
18 period, verifying attendance at and the completion of all approved courses.

19 7. The failure of Respondent to complete the CPE requirements as set forth in this  
20 Order, shall be considered noncompliance with the terms of this Order. In the event Respondent  
21 is noncompliant with the continuing professional education provisions of this Order, the Board, in  
22 its sole discretion, may extend the period of probation until such time as Respondent has  
23 completed the required CPE, or direct that the matter proceed to a noncompliance hearing for the  
24 revocation of Respondent's certificate. In the event that the Board votes to extend the period of  
25 probation, such extension may not exceed six months.

1 services and/or full disclosure compilation engagements, whether as lead accountant or  
2 concurrent reviewer, within the two-year term of probation, the period of probation shall  
3 automatically be extended up to two (2) years or until such time as at least three (3) audits have  
4 undergone pre-issuance peer review.

5 12. The requirements of this section shall be applicable to Respondent in any firm in  
6 which she engages in accounting activities.

7 Reimbursement of Costs

8 13. Within sixty (60) days of the effective date of this Order, Respondent shall  
9 reimburse the Board for its costs relating to its investigation and proceedings in this matter. The  
10 amount of Eleven Thousand Five Hundred Forty-Seven Dollars and 31/100 (\$11,547.31) shall be  
11 paid directly to the Board, and must be received in the Board office no later than the 60<sup>th</sup> day  
12 following the effective date of this Order. The failure of Respondent to reimburse the Board,  
13 within the sixty (60) day period, shall be considered noncompliance with the terms of this Order.  
14 In the event Respondent is noncompliant with the reimbursement provision of this Order, the  
15 Board, in its sole discretion, may direct that the matter proceed to a noncompliance hearing for  
16 the revocation of Respondent's certificate.

17 Effective Date

18 14. This Order is effective upon its acceptance by the Board and by Respondent as  
19 evidenced by the respective signatures thereto. The effective date of this Order is the date the  
20 Agreement is signed by the Board and by Respondent. If the Agreement is signed on a different  
21 date, the later date is the effective date.

22 Termination of Probation

23 15. Upon successful completion of the terms of probation specified in this Order,  
24 Respondent shall provide proof of her compliance with the terms of this Order and request formal  
25 review by the Board. The Board shall terminate the probation and fully restore Respondent's  
26 certificate and firm registration upon proof of compliance. In the event Respondent fails to

1 provide proof of her compliance, the period of probation shall be extended until such time as  
2 proof of compliance has been demonstrated.

3 16. Upon successful compliance by the Respondent with all provisions of the Consent  
4 Order after one year and providing at least three audits have undergone successful pre-issuance  
5 peer review, Respondent may petition the Board and request that the Board terminate the  
6 probation before the expiration of the time period specified above. The decision to allow early  
7 termination of the Respondent's probationary period is within the sole discretion of the Board and  
8 is not subject to judicial or administrative review.

#### 9 GENERAL PROVISIONS

10 16. Respondent shall maintain records which reflect compliance with the terms of this  
11 Order, shall cooperate fully with the Board's administrative staff, investigative reviewers and  
12 attorneys in providing relevant documentation of Respondent's compliance with the terms and  
13 conditions of this Order, including executing any and all compliance affidavits and release of  
14 information forms as may be required by the Board or its designee, and in responding promptly  
15 to any request from the Board for documents that the Board requires to demonstrate Respondent's  
16 compliance with this Order. If a response is requested pursuant to A.A.C. R4-1-455.03(F), the  
17 response must be received in the Board office no later than the close of business on the thirtieth  
18 day.

19 17. In the event Respondent's certificate to practice as a certified public accountant or  
20 firm registration is scheduled to renew while this Order is in effect, Respondent shall apply for  
21 renewal of the certificate, pay any applicable fee, and otherwise maintain qualification to practice  
22 as a certified public accountant in the State of Arizona.

23 18. Respondent is responsible for all costs associated with complying with this  
24 Decision and Order.

25 19. Respondent is solely responsible for ensuring that she understands and complies  
26 with all the terms and conditions of this Order.



1 I have read and understand everything contained in the foregoing Findings of Fact,  
2 Conclusions of Law and Order. If this Consent Order is approved by the Board, without  
3 admitting the allegations contained therein, I agree to its immediate issuance and to be bound by  
4 its terms.

5 I am aware of my right to consult legal counsel prior to entering into the Consent Order,  
6 and such consultation has either been obtained or is waived.

7 I am aware of my right to an administrative hearing in this matter and, except as  
8 otherwise provided by the Order, hereby waive the same. No promises of any kind or nature  
9 whatsoever were made to me by the Board to induce my consent to the Board's Consent Order.

10 I waive all my rights to challenge the foregoing Decision and Order By Consent on  
11 appeal, or otherwise to the Board or any other court or tribunal.

12 I understand that a failure to comply with any of the provisions of this Consent Order will  
13 be considered noncompliance and will constitute grounds for further disciplinary action. I  
14 understand that the Consent Order may be considered in any future disciplinary action against  
15 me. I understand that acceptance of this Consent Order does not preclude any other agency,  
16 subdivision or officer of this State, from instituting other civil or criminal proceedings with  
17 respect to the conduct in issue as may be appropriate now or in the future.

18 I understand that this Consent Order constitutes disciplinary action against my certificate,  
19 and that the related investigation is a matter of public record. I also understand that this Order  
20 requires my compliance in all matters and/or firms where I practice as a Certified Public  
21 Accountant in the State of Arizona.

22 By my signature, I verify that I have read and understand everything contained in the  
23 foregoing Consent Order.

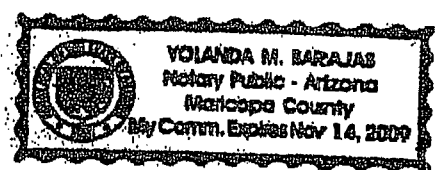
24  
25 ///

1 Dated this 27<sup>th</sup> day of May, 2008.

2  
3 Jennifer C. Nipp  
4 Jennifer C. Nipp

5  
6 Judith Jordan Clancy  
7 Judith Jordan Clancy, Managing Partner  
On behalf of Clancy and Co., PLLC

8 State of Arizona )  
9 : ss.  
10 County of Maricopa )



11 The foregoing instrument was acknowledged before me this 27<sup>th</sup> day of May

12 2008, by

13 Yolanda M. Barajas  
14 Notary Public

15 My Commission Expires:

16 Original of the foregoing filed  
17 this 27<sup>th</sup> day of May, 2008, with:

18 Valerie M. Elliott  
19 Executive Director  
20 Arizona State Board of Accountancy  
100 N. 15<sup>th</sup> Ave., Ste. 165  
Phoenix, AZ 85007

21 Copy of the foregoing received in person at the Board's office on May 27, 2008 by:

22 Jennifer C. Nipp of:  
Clancy and Co. P.L.L.C.; and

23 Judith Jordan Clancy, Managing Partner representing:  
24 Clancy and Co. P.L.L.C.  
25 2935 E. Clarendon Avenue  
Phoenix, AZ 85016

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Copy of the foregoing mailed  
this 27th day of May, 2008, to:

Daniel Christl, Esq.  
Assistant Attorney General  
1275 W. Washington, CIV-LES  
Phoenix, Arizona 85007

By: Rolanda M. Barajas  
Phx #196837